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Application of Third-Party Beneficiaries in the Contemporary World

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ABSTRACT

The position of third-party beneficiaries and its legal implications have changed and adapted to suit the present times. This research study focuses on the history of the provision of third-party beneficiaries while also simultaneously focusing on the doctrine of privity and its exceptions. It also discusses the third-party beneficiaries and the contemporary challenges faced by them. From a wide range of judicial interpretations and legislative decisions the study discusses about how third-party beneficiaries is a useful and necessary provision for various contracts and the drawbacks of the provision. It also focuses on how these drawbacks can be resolved. It examines how the courts all over the world have adapted this doctrine to suit their society's needs and to evolve the doctrine in such a way that the complexities of the contemporary world can also be addressed.

The landmark judgements are used as a reference in relation to the doctrine of privity and third-party beneficiaries. It also talks about real life examples of third-party beneficiaries that play an integral part in day-to day life. It lays special emphasis on the relationship between third party beneficiary and doctrine of privity. It also recommends suggestions as to how the problem faced by third party beneficiaries in the contemporary world can be overcome. Through this paper, the readers can gain a perspective on the legal concept and how this concept can be applied to the modern world while shedding light on its adaptability, limitations, and legal intricacies about the concept.

Keywords: *Contracts, Third-party beneficiaries, Privity, Law of contracts, Judgements.*

I. INTRODUCTION

A third-party beneficiary can be defined as someone who is not a party to the contract but can derive certain benefits to an extent through the performance and execution of the contract. In simple words, they are third parties who are entitled to rights and benefits which is conferred upon them by the contract. It can also arise in situations where two parties enter into an agreement for the benefit of a third party. There are two types of third-party beneficiaries namely intended and incidental beneficiary. Like any contract, a contract involving a third-

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party beneficiary also includes two parties to the contract, the promisor and promisee. The promisor is the one who makes the promise, and the promisee is the one to whom the promise is made. The promisee makes an agreement with the promisor who in exchange promises to provide some service or products to a third-party beneficiary. A closely related concept to the idea of third-party beneficiaries is the doctrine of privity. While the doctrine of privity limits the enforcement of the contract and enjoyment of rights to the only two parties to the contract which means that a third party to a contract cannot sue, the idea of third-party beneficiary serves as an exception to this rule. The doctrine of privity creates a relationship and establishes rights and duties which are exclusively enforceable only by the parties to the contract. The doctrine of privity of contract originated from common law courts but was gradually then incorporated into the law of countries like India, England, Canada and many more. Initially the doctrine of privity was strictly followed everywhere which meant that there was no scope for third parties to enforce the contract. But later it was realized by courts around the world that this was too narrow in scope to be applied to various cases and the decision to provide rights to third parties was taken. Thus, third party beneficiary and doctrine of privity are interrelated concepts as one idea evolved from the other. It is necessary to have a thorough knowledge about the doctrine of privity and its history to understand about third party beneficiary.

II. LEGAL CONCEPTS RELATING TO THIRD PARTY BENEFICIARIES

(A) History of doctrine of privity

The definition of the word “contract” itself gives an interpretation that it is a legal agreement between the parties agreeing to the terms and conditions of the contract or in simpler words between the promisor and the promisee. But what if the contract allows a third party to enjoy certain benefits arising from the contract? It is in cases like this that the doctrine of privity plays a vital role. This doctrine states that a stranger to a contract cannot sue. The doctrine of privity covers three aspects relating to the contract:

1. A third party cannot enjoy benefits that the parties to the contract have
2. A third party must not be held liable if he/she is not a party to the contract
3. A third party does not have a right to sue or enforce when a breach of contract arises

The doctrine of privity first originated in the common law courts in England. The doctrine was first applied in the case of *Jordan v. Jordan*³. Later the court had overruled the decision and

³ Jordan v Jordan 257 S.E.2d 761 (1979)

had then allowed the stranger's suit on a contract. Further in the case of *Taylor v. Foster*⁴ the court validated the decision given in Jordan's case and then applied the doctrine of privity of contract.

Finally, it was through the case of *Tweddle v. Atkinson*⁵ that the doctrine of privity was established in 1861. In this case, the court had dismissed the suit of the plaintiff. The court in this case gave more importance and stressed more upon the doctrine of privity of consideration rather than the doctrine of privity relating to a contract. The court's decision highlights two main points: one that a stranger to a contract cannot sue and two that a stranger to a contract cannot be bound by the contract. The doctrine of privity was then firmly established and given general approval through the case of *Dunlop Pneumatic Tyre Co. Ltd. v. Selfridge & Co. Ltd*⁶, the judgement of which was passed in the year 1915.

In India, there is no particular provision in the Indian contract act that talks about the doctrine of privity. It is through sections like 2(a), 2(b), 2(c), 2(e), 2(h), 73, 74, and 75 which deal with the general definitions of the basic terms involving a contract such as agreement, promise and breach that we can derive the doctrine of privity. It can be understood from the above-mentioned sections that the promisee is answerable to the promisor. We can infer that only the parties to a contract can enforce the contract and can also be held liable. Sections 73, 74 and 75 which deal with damages and breach of contract make it clear that only parties to a contract are entitled to claim compensation for damages caused. It was in the case of *Jamna Das v. Ram Autar*⁷ where the principle of doctrine of privity was enforced.

In India, the 13th report by the law commission on 26th September 1958 had talked about doctrine of privity and about granting rights to third parties. The law commission recommended that strict adherence to the doctrine of privity is not practically possible and that there must be certain exceptions allowed.

(B) What is third-party beneficiary?

A third-party beneficiary is anyone who is not a party to the contract but can still receive benefits from the enforcement of the contract. According to the doctrine of privity, strangers to a contract cannot sue. The concept of third-party beneficiary serves as an exception to this. If the person is vested with third party beneficiary rights, then he/she can enforce the contract. Third party beneficiaries can be divided into three main categories; namely intended

⁴ Taylor v. Foster, 205 Ga. 36, 52 S.E.2d 314 (1949)

⁵ Tweddle v Atkinson EWHC J57 (QB), (1861)

⁶ Dunlop Pneumatic Tyre Co Ltd v Selfridge Ltd (1915) AC 847

⁷ Jamna Das vs Ram Autar Pande (1916) ILR 38 ALL 209, AIR 1916

beneficiaries, incidental beneficiaries and done beneficiaries. An intended beneficiary is explicitly identified and included in the contract as a beneficiary, that is he/she was to gain and enjoy the benefits as laid down in the contract by the parties to the contract. The parties to the contract intend to confer direct benefits on the third party. On the other hand, an incidental beneficiary is someone who becomes a beneficiary to the contract incidentally and was not the primary focus while the contract was drafted. They lack the power to enforce the contract and cannot sue if any damage is caused.⁸ A third party beneficiary can sue even though he was not originally part of the contract. This can only arise in cases where he is an intended beneficiary and not an incidental beneficiary. A done beneficiary is when there exists a contract between the promisor and the promisee and there is an implied benefit given to the third party without any proper consideration given to the third party. The third party may thus legally enforce the contract even though no consideration is given to him. The donee beneficiary rights arises as soon as the contract is made regardless of the fact of whether the beneficiary is aware of his/her rights. There are three ways in which we can determine whether the third-party beneficiary has been vested with certain rights:

1. Whether or not the beneficiary is aware of the rights vested
2. Whether or not the beneficiary has explicitly given his/her assent to the contract
3. When the third-party beneficiary files a lawsuit for the enforcement of the contract

When such contracts are breached then the third-party beneficiary is entitled to the same rights that the parties to the contract are vested with. Even in cases where a third-party beneficiary does not sue for enforcement, the parties to the contract can sue for specific performance even though the damages might be a nominal amount. If a third party claims some benefit from the contract, then he/she doesn't have the rights to go beyond the benefits enjoyed by the parties to the contract. There are various exceptions to the general rule of doctrine of privity, they are as follows:

1. Contract which creates a trust
2. Contracts which involve a family arrangement
3. Contract of insurance

There have been various cases and statutes that confer rights and liabilities to the third party in a contract. In Australia, the court held that third parties can enforce rights in a contract of which

⁸ Corbin, A. L. Contracts for the Benefit of Third Persons. 27(8), *The Yale Law Journal*, 1000, 1008–1029. (1918).

they are not a part of in the case of *Trident General Insurance Co Ltd v. McNiece Bros Pty Ltd*⁹. In a similar way in the US, the same decision was upheld in *Lawrence v. Fox*.¹⁰

(C) Relationship between doctrine of privity and third-party beneficiary

The understanding of the relationship between the doctrine of privity and third-party beneficiary is necessary to know about the rights that is available to third parties of a contract and its limitations. If we look at legal history, the doctrine of privity emphasized on the fact that only the parties to the contract can enforce the contract, but over time it was realized that this is too rigid to be followed in the ever-changing society. The doctrine of privity was first brought about to maintain the privacy between the parties to a contract. This was because the doctrine of privity would create a direct connection between the promisor and the promisee without involving any strangers or any third party. The concept of third-party beneficiary acknowledges situations where a third party might have genuine and legitimate interests over the contract and thus should be able to enforce the contract as well. Only if one understands the doctrine of privity, one can understand what type of third-party rights available and what kinds of rights can be enforced. The concept of third-party beneficiary is technically an exception to the rule of doctrine of privity. If a contract is explicitly made for the benefit of the third party and the parties intend to confer rights and benefits to the third party, then it serves as an exception to the general rule of doctrine of privity. But the doctrine of privity plays a vital role when an incidental beneficiary is involved in the contract. This is because an incidental beneficiary cannot enforce the contract as they were not the primary focus when the agreement was being drafted. Thus, in this context, the doctrine of privity keeps a check on the third-party beneficiaries. Only when the following conditions are met, a third party can overcome the doctrine of privity:

1. In cases where the parties to a contract have not explicitly agreed to maintain the doctrine of privity. In other words, in cases where the parties to a contract have agreed to give certain rights and responsibilities to the intended third-party beneficiary.
2. The right to performance by the third-party beneficiary should be recognized so that the intention of the parties of the contract can be well understood.

⁹ Trident General Insurance Co Ltd v McNiece Bros (1988) 165 CLR 107

¹⁰ Lawrence v. Fox (20 N.Y. 268)(1859)

3. Lastly, the promisee must have the intention of fulfilling his promise towards the beneficiary. It means that the performance of the promise will lead to the beneficiary gaining certain benefits from the promisee fulfilling his/her duty.

In the Indian contract Act, 1872 there are certain contracts which are mentioned that do not follow the doctrine of privity. Contracts which are for natural love and affection, contracts which are based on trust, contracts involving agents, contracts for marriage, contracts for partition, contracts relating to family disputes and contracts which include a time barred debt.

III. OVERVIEW OF THE CONTRACTS UTILIZING THIRD PARTY BENEFICIARY RULE

(A) Third party beneficiary in Testamentary Disposition

The recognition of the third-party beneficiary in testamentary disposition is the clear intentions of the testator. To recognize the intentions of the testator of the will, there should be explicit evidence that shows it is bestowed upon the third-party beneficiary. The evidence should include naming the third-party beneficiary and outlining a detailed provision about the benefits for the beneficiaries. The contract should also have explicit legal language in order to avoid any confusion between the parties and the beneficiary too. These two conditions are necessary to convey the testator's intentions.

Despite the careful planning by the testator, disputes may arise regarding the validity or interpretation of testamentary provisions related to third-party beneficiaries. Interested parties, including other beneficiaries or heirs, might contest the will or specific requirements, leading to legal challenges that could impact asset distribution.

Sometimes, a testator may choose to establish a trust within the will, designating a third-party beneficiary as the beneficiary of that trust. This arrangement provides a structured mechanism for managing and distributing assets for the benefit of the third party, often with specific conditions outlined in the trust document.

These conditions could range from specific actions the beneficiary must take to receive their inheritance to other requirements set forth by the testator. It is vital that testamentary dispositions, including provisions for third-party beneficiaries, adhere to the legal formalities required for wills within the relevant jurisdiction. Failure to meet these legal requirements could open the door to challenges regarding the validity of the testamentary provisions or the will.

One of the landmark judgements for this concept was the case of *Carthy v Pieret*, the parties were in an extension agreement, where it was provided that in any case of or event of the death

of the mortgagee prior to the maturity of the mortgage, the interest and principle were to be paid one-half to a brother of the mortgagee and one-half to the heirs of a deceased sister, the plaintiffs.

(B) Third Party Beneficiary in Surety bonds

Third party beneficiaries are often included in contracts between contractors and labourers. There are many instances where the contractor, mostly a government agency might ask a contractor to insure a surety bond. A surety bond has two main parts, the first part of the bond is to make sure the labourers and the contractors rightfully do their performance of the contract (performance bond), and the second part is to ensure the contractor pays the labourers on the right time period (payment bond).

In the case of *Lawrence v Fox*, the court had clearly mentioned the right of the third party to sue the parties of the contract. But in another case *Vrooman v. Turner*¹¹, they limited the types of third party that could claim the benefit in the contract. In this case, the bench stated that to sue the parties the person had to show who made the promise and the contract was meant to fulfill the obligation.

There were certain exceptions which included family members of the promise. The workers who were not paid in the contract would not fall under the exceptions.

For a third party to claim the right in suing the other parties of the contract, it would only be right if the benefit for the beneficiaries is explicitly mentioned in the contract. In surety bond cases, there are different perspectives. If the performance bond is added with the payment bond, the joint performance bond will be considered first.

(C) Third Party Beneficiary in Insurance contracts

Insurance contracts demonstrate how third parties can benefit from agreements. For instance, in a life insurance policy, the agreement between the person being insured and the insurance company is often for the benefit of a third person, known as the beneficiary. There are two main ways in which insurance contracts can benefit third parties:

Protection in Cases of Injury or Damage: Insurance contracts can protect third parties in situations involving injury or damage. For example, liability insurance protects against losses from injury or damage to a third person due to the insured activity, often caused by negligence. This coverage can extend to additional drivers of an insured vehicle, not just the named policyholder.

¹¹ *Vrooman v. Turner*, 69 N.Y. 280

Protection in Real Estate Transactions: In real estate sales and mortgages, insurance contracts can protect third parties, including those with lease interests and life estates. These contracts help safeguard against potential losses or liabilities related to the property.

A named insured typically obtains the policy; it can offer protection to others, such as additional drivers. Victims of negligence by the insured can benefit from liability coverage. Some states have direct-action statutes that allow third parties to sue an insurer directly, especially if the insurer denies claim payments after a judgment.

However, in most cases, liability insurance aims to indemnify insured individuals for losses in paying damages to victims. Third-party victims usually cannot sue under liability policies until judgments have been ordered against the insured parties.

In practical terms, consider a situation where a fare-paying passenger is injured in a motor accident. This passenger can benefit from the motor insurance policy of the driver responsible for the accident.

This is why pedestrians should check the validity of vehicles before using their services. For example, the motor third-party insurance cover pays on behalf of the insured or the driver in the event of legal liability to third parties resulting from an accident caused by their vehicle. Insurance contracts are an imperative example of third-party beneficiaries, and the beneficiaries mentioned in these contracts would be intended third parties.

IV. THE EVOLUTION OF THIRD-PARTY BENEFICIARIES THROUGH JUDICIAL PRECEDENTS

This chapter explores the different phases and evolution of third-party beneficiaries throughout the judicial precedents.

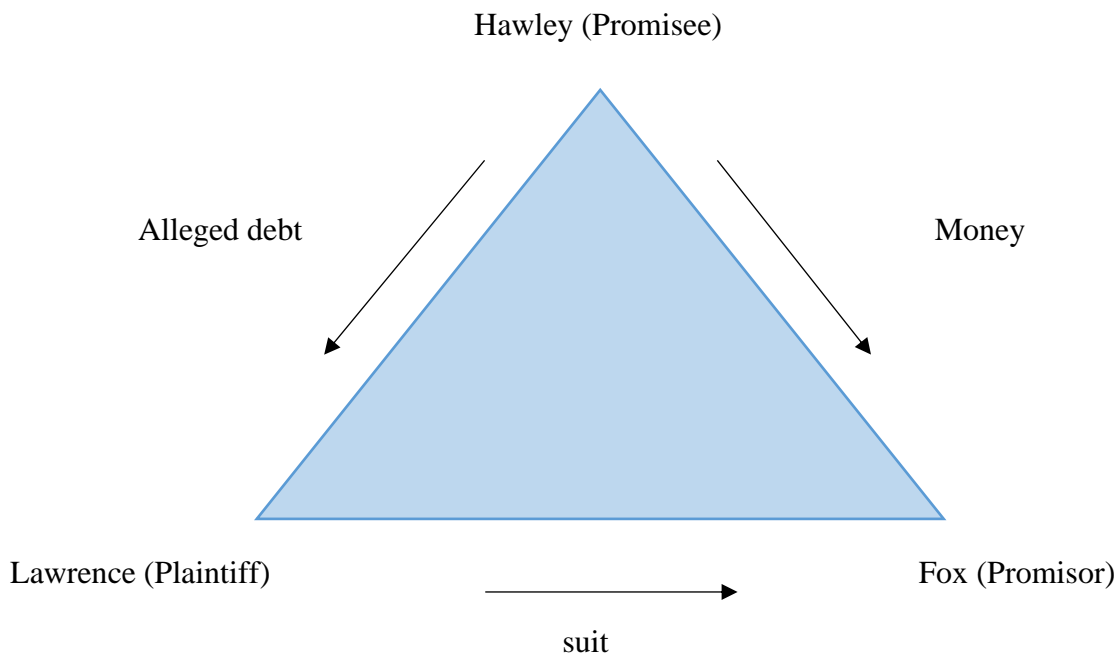
- ***Lawrence v Fox***

The facts of *Lawrence v. Fox*¹², as recounted by the New York Court of Appeals, are these: One Holly, declaring that he owed Lawrence three hundred dollars, lent that amount to Fox, who promised Holly that he would repay it to Lawrence the next day. Fox did not pay, and Lawrence sued him. Lawrence prevailed at trial, on appeal, and, finally, in the New York Court of Appeals. What the Court of Appeals called the "principle of law" of the case is "that [when] a promise [is] made to one for the benefit of another, he for whose benefit it is made may bring an action for its breach."¹³

¹² Lawrence v. Fox, 20 N.Y. 268

¹³Anthony Jon Waters, The Property in the Promise: A Study of the Third Party Beneficiary Rule , 98 Harvard

The opinion and judgment formed in this judicial precedent- Lawrence v Fox, is the foundation for third party beneficiaries.



- ***Fosmire v. National Surety Co.***

This case law initiated a crucial question about the parties' intention to benefit the laborers and materials through a payment bond. In the case of ***Fosmire v. National Surety Co.***, a contractor constructed a highway for the New York state. The statute has mentioned that the contractor should have a performance bond that says the conditions for voidance are tied to the principal's performance and the payment of the laborers during the time period. The case arrived in court when one unpaid laborer filed a lawsuit against the state for not fulfilling the promise. The bench decided the intention to benefit does not go with the primary purpose of the bond, and this could also leave the state in a vulnerable position for not fulfilling the bond.

The New York Court of Appeals in 1920 made an imperative decision on this case, which was explained in the following way. The court stated that once the parties showed their intention to grant the third-party beneficiaries the right to sue on a bond, there could be no legal issues affecting them laborers. In support of this statement, the court cited another case, ***Seaver v. Ransom***, where it mentioned the willingness of the New York court to recognize the right of the beneficiary to sue the parties of the contract which is made with the intended benefit. The courts considered the present Fosmire and previous Seaver case, which permitted the recovery of a surety bond for the done beneficiary.

- ***M.C. Chako v. state bank of Travancore***

The appellant of the case was the manager of the Highland Bank. The appellant's father, K.C Chacko made a promise to the Kottayam Bank regarding the return of payment owed by Highland Bank. K.C Chacko had made an agreement stating his appellants (his family) would be entitled to all his property. Later, the Kottayam Bank had seized the Highland bank because K.C had failed to render the money. They had also taken the appellant as his name was also mentioned in the legal document.

The Supreme Court had made a decision stating the document was made within the family members to settle the debt. The document intended to say that K. C's decision to involve the family to pay off the debt in the document was to protect them and this does not give the right for the bank to claim their property. According to the legal principle, a person who is not a direct party to the contract cannot be sued. Henceforth, the Supreme court gave in favour of M.C Chacko and this decision was supported by a judicial precedent (Tweddle v. Atkinson).

In relation to, third party beneficiary this case laws proves there was neither an intent among the parties and no benefit for the beneficiary, thus, the rule of third-party beneficiary cannot be applicable here.

V. NAVIGATING CHALLENGES IN THE THIRD-PARTY BENEFICIARY RULE

As more third-party beneficiary cases are emerging in the judicial world, the courts have to figure a way where the modifications made by the parties of the contract should not affect the third-party beneficiaries. Few early precedents in this concept were specifically related to insurance contracts. There were differences within the parties and the courts about changing the beneficiary in the contract as these contracts failed to explicitly mention if the person who bought the insurance had the right to change the beneficiary. The courts have agreed to this. However, not all courts agreed on a single approach. Some courts strictly adhered to the rules whereas some courts allowed the rights for the third-party beneficiaries to receive the compensation even if the rules did not fit, especially because the bench perceived it to be a fair and just decision.

In general, this category structure failed to provide a workable methodology for analyzing the rights of third parties attempting to enforce a contract made for their benefit. A Restatement of Contracts was introduced to articulate better such vague concepts as third-party beneficiaries. Restatements are considered to be a set of treaties that look into the specifics of certain laws. The challenges are found to be in both the Indian and American Restatements. The restatements have mentioned specifics of third-party beneficiaries, and there are challenges found in both

perspectives.

It also explained the hardship caused by the doctrine of privity of contract citing the case of *Krishna Lal v. Promila*¹⁴ and thereby recommended the enactment of a law conferring third party beneficiary rights but we have still not implemented it. It was recommended by the Law Commission that a rigid adherence to the doctrine of privity is bound to cause hardship is obvious. The present state of law in India is not quite certain and the exceptions which have been acknowledged by case-law and statutes do not cover all cases of hardship and thus enhance the confusion of the layman.

Few courts followed the First Restatement and used it to figure out the primary reason for a contract. It is commonly perceived that providing benefits for the beneficiary is not an important part in the contract and due to this parties often do not address the clause properly. This can lead future arguments in the contract related to third party beneficiary. There are multiple purposes for a contract and certain business contract consider the benefits of beneficiary as a very important clause. Even though the main intention of benefit is for the parties of the contract, it does not mean the third parties are not entitled for the benefits. In contracts such as insurances, the primary benefit is for the insured parties¹⁵. The Restatements also mentioned about the 'primary purpose' of the contract which limits the parties freedom to draft a contract. Parties often intent to draft the contract gby assigning certain rights to the third parties but using the primary purpose approach negates the third-party beneficiary clause in the contract.

The jurisdictional variations or the change in the judgements creates a huge confusion. Each judgement provides a different perspective on the idea of third-party beneficiary and due to this the parties will not be able to deliver a proper contract by including the third-party clause. The problem lies when each person interprets the rule differently and the intent will not be the same for different parties which would lead to confusion for the courts. This inconsistency will also affect the third party by terminating their rights in the contract if the parties form a decision of terminating the contract. The major challenge imposed is that the legal system should find a fair and reasonable way to protect its parties and third-party beneficiaries of the contract.

The major elements in understanding the role of third-party beneficiary are the intent and benefit of the parties and beneficiary in the contract. To-day it has been a difficult task to identify the intent and benefit due to this unstructured rule for the beneficiaries. The courts are

¹⁴ *Krishna Lal v. Promila Bala*, AIR 1928 Cal 518.

¹⁵ David M. Summers, *Third Party Beneficiaries and the Restatement (Second) of Contracts*, 67, Cornell law review. 880, 883-885 (1982).

not considerate about identifying the benefit for the beneficiaries or the intent of the parties if that specific clause in the contract is not articulated effectively.

In the contemporary world, it is legally acknowledged that a third party may bring a lawsuit against the parties according to mentioned in the contract. The two most important words in this concept is intent and benefit. The main aim of including such keywords is to explicitly mention the idea the parties hold with the third-party beneficiaries.¹⁶ The challenge arises when the general public confuses the definition of these keywords in accordance with the third-party beneficiary and leads the parties to form extreme perspectives. It should be taken into consideration that the intentions and benefit are primarily served but that obligation need not necessarily align directly to third party's benefit. Both individuals should have beneficial interest.

There are intent to benefit tests to understand if there are circumstances for the promisee to give beneficiary to the promisor of the promised performance. The intent to benefit varies for intended, incidental and donee beneficiary. It is necessary to consider that the intent to benefit tests are not performed in a regular or consistent manner. Thus, the motive or intent of the promisor is not important. Situations may arise where unintended parties claim their benefits too if the contract is not well articulated. The courts should make a decision about such unforeseen beneficiaries.

VI. SUGGESTIONS

The Indian legal system does not offer a structured format for the rule of Third-party beneficiary and due to this, third party beneficiary is always open to interpretations both by the courts and the parties.

The confusion regarding this clause can be reduced by differentiating the 'intent' of the promise and the 'assent' of the promisor in an explicit manner. Intent refers to the hopes of the parties and what they wish to make it happen in the contract whereas assent refers to the verbal confirmation of the promisor by agreeing to the intentions of the promise. This approach will avoid the confusion between the parties and the beneficiary which will also lead to proving the clarity of the contract for the courts. The intent and assent are also the two most important elements that should be mentioned clearly in the contract.

The courts should also make sure the obiter dicta should not provide a wide interpretation of this clause for the other people. The rule should make sure the beneficiary involved in the

¹⁶ M.F. Jr., Intent and Benefit in Third Party Beneficiary Contracts: A Justification for Public Policy, 26 Virginia Law review. 777, 779-782 (1940)

contract should be entitled to benefit and the parties should clearly define the beneficiaries conditions and entitlements of the contract. Providing a clear definition will also help the courts in giving a reasonable judgement. As the judgements would consider the doctrine too and this would avoid confusion.

Considering the contemporary challenges, the legal should introduce a third-party beneficiary act which would bring in clauses that would address these challenges and provide a solution for it in the act. This would compel the parties to strictly adhere to the provisions of the act, leaving no room for deviation based on the language employed in the contract.

An addition of the non-waiver clause in such contracts would imply or help the third party in understanding that the failure of enforcing the contract by the parties, does not waive the rights of third-party beneficiary. The recruited legal advisors and the parties of the contract can review frequently and make amendments in accordance with the intention of parties.

A very recent judgment, *Chudley v Clydesdale Bank*¹⁷ (2019) has mentioned about the intentions of the party for the beneficiaries in the contract in an explicit legal language. The judgement given by the court mentioned an obvious concept that the third-party beneficiary cannot confer to the benefits if the parties did not intend to give the rights for the beneficiaries. This case law focused on the circumstances of the case and provided a judgement.

An analytical framework, on the other hand, would be free from the constraint of narrow categories and would be readily adaptable to new situations. This solution, however, posed the danger of being ambiguous and difficult to apply.

VII. CONCLUSION

To conclude, it is evident that the Indian legal system does not provide a statute or act for the rule of third-party beneficiaries, considering both the courts and the parties of the contract face obstacles in making the right decision. The right of the third party to sue in the contracts should be recognized; this is the only way we can challenge the historical definition of that rule. The keywords- intent and benefit should be articulated well in the draft to avoid any further challenges in the contract based on this rule. This will provide a framework for interpretation.

The contemporary legal world also needs to tackle consistent judgments on such third-party beneficiary cases, leading to variation in the application. The ambiguous language used in contracts also acts as a barrier. In navigating these challenges, policymakers should clarify contract drafting and ensure explicit identification of their rights in the contracts. As the legal

¹⁷Chudley v. Clydesdale bank (2019) EWCA Civ 344

landscape evolves, searching for a balanced framework for third-party beneficiaries remains an ongoing process.

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